

Group Insurance Commission Pre-Tax Programs

Health Care Spending Account (HCSA) & Dependent Care Assistance Program (DCAP)



Participant Handbook - Plan Year 2006

***www.sentinelbenefits.com
www.mass.gov/gic***

The Commonwealth of Massachusetts' Group Insurance Commission (GIC) sponsors a pre-tax benefit program that includes two tax-saving reimbursement accounts. Sentinel Benefits is the company that the GIC has selected to administer, adjudicate and process all reimbursement claims on behalf of the GIC. The Health Care Spending Account (HCSA), authorized by Internal Revenue Service (IRS) Code Section 125 and the Dependent Care Assistance Program (DCAP), authorized by Section 129 of the IRS, allows you to set aside pre-tax money from your paycheck to pay for certain health care and dependent care expenses. You then submit your claims for eligible expenses and are reimbursed with tax-free dollars from your account(s) – *which can reduce your out-of-pocket health care and dependent care expenses by nearly 25%!*

Overview of Pre-Tax Reimbursement Accounts

For most participants, the HCSA/DCAP program provides a better tax benefit than is available to an individual taxpayer who itemizes medical expenses. The tax benefits of these pre-tax plans can be derived only from the participation in an employer-sponsored program.

- ❖ A **Health Care Spending Account** pays for eligible medical, dental and vision care expenses incurred by you and your dependents, that are not covered by your health care plan or dental care plan.
- ❖ A **Dependent Care Assistance Program** pays for eligible dependent care expenses you incur in order to enable you (or you and your spouse) to work.

Basics of Pre-Tax Reimbursement

Participating in a HCSA or DCAP program can significantly reduce your federal and state income taxes. Through these plans, you pay, on a pre-tax basis, for eligible health care and dependent care expenses.

- ✓ Open enrollment takes place each fall for the following Plan Year. During this time you may enroll and decide how much to deposit (see “Annual Contribution Amount” section on page 5) into each account. Important: You cannot change your contribution until the next enrollment period unless you have a “change in family status” (page 5).
- ✓ Your contributions to HCSA/DCAP will automatically be deducted in equal amounts each pay period from your paycheck on a pre-tax basis and sent to Sentinel Benefits.
- ✓ When you have incurred an eligible expense, you can either use your SmartFlex Debit Card (see SmartFlex Debit Card section, page 10) or submit a claim form for reimbursement to Sentinel Benefits.
- ✓ All claims are processed daily and reimbursements are deposited directly to your bank account. All reimbursement benefit payments come with a quarterly Explanation of Benefits to make reconciling your records simple and easy, and all information is kept strictly confidential.



Estimate your contributions to each plan carefully. The Internal Revenue Service requires that any money left in either account at the end of the plan year be forfeited (*use it or lose it rule*). The Plan Year runs from January to December with a new IRS 2½ month grace period to March 15 of the following year. (See page 7 for more details.)

Tax Benefits of HCSA or DCAP

Every dollar contributed to the HCSA or DCAP program is made on a pre-tax basis. The Commonwealth of Massachusetts deducts the amount that you selected directly from your “gross” wages. This means that plan contributions are deducted before federal and state taxes. A person in the 25% tax bracket, for example, would save approximately \$250 for every \$1,000 contributed to either of the pre-tax reimbursement programs.

As a result, your taxable income is less, meaning less money will be withheld from your paycheck for federal/state income taxes.

The following is an example of how a state employee could save money by participating in the pre-tax reimbursement program. Say an employee makes \$30,000 each year, is in the 25% tax bracket and spends \$6,000 in expenses - including \$2,000 in health care expenses and \$4,000 in dependent care expenses. If this employee did not participate in any pre-tax plan his take-home pay, after-taxes and after paying for health care and dependent care expenses, is \$16,500 a year.

However, if that same employee participated in both the HCSA and DCAP pre-tax programs, the money spent on the very same health care and dependent care expenses (\$2,000/\$4,000) would be paid from his HCSA or DCAP account, funded by his biweekly payroll deductions, **prior to federal or state withholdings**. Utilizing this method would provide additional “take-home” income of approximately \$1,500 a year or \$125 per month – *reducing the participant’s health care and dependent care expenses by nearly 25%*. The following table illustrates the example:

BREAKDOWN OF PAY CHECK AND DEDUCTIONS	NOT PARTICIPATING IN HCSA OR DCAP PLAN	PARTICIPATING IN HCSA OR DCAP PLAN
Gross Yearly Pay	\$30,000	\$30,000
Health Care Reimbursement Account Election Annual Contribution (pretax)	\$0	(\$2,000)
Dependent Care Assistance Program Annual Contribution (Pretax)	\$0	(\$4,000)
Taxable Income	\$30,000	\$24,000
25% Federal Withholding	(\$7,500)	(\$6,000)
Yearly Health Care Expenses	(\$2,000 post-tax)	\$2,000 (<i>Claims reimbursed</i>)
Yearly Day Care Expenses	(\$4,000 post-tax)	\$4,000 (<i>Claims reimbursed</i>)
Net Available Income	\$16,500	\$18,000

Contributions to the HCSA/DCAP plan are not subject to tax at any time. Your year-end W-2 form from the Commonwealth of Massachusetts will properly notify all of the government agencies of your participation in the program.

Employees could potentially save up to \$125 a month or \$1,500 a year by participating in pre-tax plans.

**Eligibility in a
Pre-Tax Plan**

Eligibility for Health Care Spending Account

Active state employees and their dependents eligible for health benefits with the GIC are eligible to participate in the HCSA program. Enrollment in one of the GIC's benefit plans is not required. New employee coverage begins on the first day of the month following 60 calendar days from the first date of employment or two calendar months, whichever comes first. Claims incurred after your effective date are eligible for reimbursement. Employees must work at least 18.75 hours in a 37.5 hour workweek or 20 hours per 40 hour workweek. You may claim health care expenses under the HCSA plan for you, your spouse and/or your eligible tax dependents.

Eligibility for Dependent Care Assistance Program

All active state employees who work half-time or more and have employment-related expenses for a dependent child under the age of 13 and/or a disabled adult dependent are eligible for the DCAP program. Employees hired during the Plan Year are eligible for DCAP on the first day of employment.

**Enrollment in a
Pre-Tax
Plan**

Enrollment for HCSA & DCAP

If you are a **new employee** with the Commonwealth of Massachusetts, you may elect to participate in the HCSA or DCAP programs. See your Payroll Coordinator for a HCSA/DCAP Enrollment/Change Form and a SmartFlex Debit Card Enrollment Form.

See page 10 for more information about the SmartFlex Debit Card.

If you choose not to enroll as a **new employee**, you will be eligible to enroll in the HCSA or DCAP plans for the upcoming Plan Year during **open enrollment** in the fall, unless you have a "change in family status" (see "Making Changes to Your Election" page 5). Enrollment for the HCSA or DCAP takes place each fall for the upcoming tax year. To join the plan during open enrollment you must complete the HCSA/DCAP Enrollment/Change Form. This form is available on the GIC's website at www.mass.gov/gic or through your Payroll Coordinator.

Employees hired during the Plan Year are eligible for DCAP on the first day of employment. Employees hired during the Plan Year are eligible for HCSA after the GIC waiting period is satisfied. Enrollment forms must be submitted to your Payroll Coordinator within 30 days from your date of hire.

**Current
Participants
can re-enroll
ONLINE**

Re-Enrollment ONLINE for HCSA & DCAP

If you are a **current HCSA or DCAP participant** with the Commonwealth of Massachusetts, you may elect to re-enroll online by going to www.SentinelBenefits.com/flexchoice. While online, you can also re-enroll in your SmartFlex Debit Card.

See Page 13 for detailed online enrollment instructions.

**Annual
Contribution
Amount &
Admin. Fee**

The most important questions that you may have are “How much money should I contribute?” and “How much do the HCSA and DCAP programs cost?” **You must carefully estimate your contributions to the HCSA or DCAP plans, as the IRS requires that money not spent during the Plan Year, including the new IRS 2½ Month Grace Period, be forfeited.** For more information about forfeitures and the IRS 2½ Month Grace Period see page 7 “If You Don’t Use Your Entire Account by Plan Year End.”

The cost to administer these programs is paid for by each employee on a pre-tax basis. The monthly administrative fee for Plan Year 2006 is \$3.95 – for HCSA alone, DCAP alone or, if you choose to participate in both the HCSA and DCAP programs you only pay the \$3.95 administration fee for both.

Participants should examine prior-year records to determine how much money you expended for health care and dependent care related expenses.

Health Care Spending Account (HCSA) 2006

The maximum amount that you may contribute for calendar 2006 to your HCSA is \$2,500. The minimum is \$500.

Dependent Care Assistance Program (DCAP) 2006

The Internal Revenue Service regulations limit the maximum amount that you may contribute to the program. The maximum is the lesser of \$5,000 per year per family or 100% of the lowest paid spouse’s income.

Remember, the amount you select will be deducted from your paycheck on a pre-tax basis in equal installments over the period of the Plan Year. If you become eligible for HCSA or DCAP during the Plan Year by having a “change in family status,” (see below) you can elect to deposit up to the full maximum amount for the partial year. Whatever amount you elect will be deducted in equal amounts each pay period for the remainder of the Plan Year.

You will only be reimbursed for eligible expenses incurred while you are participating in the HCSA/DCAP plan and making deposits. You cannot be reimbursed for expenses you incurred before your effective date or after you have ceased making contributions to your account.

**Making
Changes to
Your Election**

In order to comply with IRS regulations, you may only enroll in either plan, change your contribution or terminate your election *during the Plan Year* if you can demonstrate a qualified “**change in family status.**” The following events are considered a valid change in status under IRS regulations:

- Change in legal marital status;
- Change in number of dependents;
- Change in employment status;
- Change in work schedule, which changes your eligibility for the program;
- Dependent satisfies or ceases to satisfy eligibility requirements;
- Significant change of residence or work-site; or
- Judgment, decree or order pertaining to child or spouse.

A change in election due to a “change in family status” must be requested, in writing, no later than 30 days after the “family status change.” A “change in family status” request can be made by completing the HCSA/DCAP Enrollment/Change Form available on the GIC’s website at www.mass.gov/gic, and submitting it to your Payroll Coordinator. You will need to provide a document verifying a change in status such as a marriage or birth certificate.

How to file a claim

As you incur qualified expenses, you may file a claim for reimbursement with Sentinel Benefits or immediately pay for the eligible expense with a SmartFlex Debit Card (details of the card can be found in “SmartFlex Debit Card Questions and Answers” on page 10.)

The SmartFlex Debit Card is a simple and unique system that will help you maximize the benefits of your GIC Pre-Tax Health Care Spending Account (HCSA) and Dependent Care Assistance Program (DCAP). Through innovative technology, your SmartFlex Debit Card puts your pre-tax account(s) on one card making access to your money for eligible expenses easy and immediate. Simply present your SmartFlex Debit Card to any merchant that accepts Visa to make qualified purchases and your payment will automatically be transferred from the appropriate GIC Pre-Tax account.

To submit claims manually you must submit your claim using a **Health Care/Dependent Care Claim Form**. This form is available from your Payroll Coordinator or on the GIC's website at www.mass.gov/gic. All claims must be mailed or faxed to Sentinel Benefits with a copy of a paid receipt or an invoice with a canceled check, or other supporting documentation that proves payment.

Only expenses incurred while you are participating in the HCSA/DCAP are eligible for reimbursement. You must be an active participant in the plan (making deposits) at the time the expenses are incurred.

You are permitted to make a claim for an eligible expense up to your total annual election, at any time during the year, provided the expense was incurred while you are making deposits to your account.

When you submit eligible expenses for reimbursement, you may need to certify that the expense is not reimbursable from any other source. Also, you may only submit eligible health related claims for reimbursement from your HCSA and dependent care expenses to your DCAP.

IMPORTANT: To be considered eligible for reimbursement, the expense must occur during the Plan Year - on or after the date you become a participant in the plan. An expense is incurred when you receive the treatment or service, purchase the supply, or order the items, NOT when you receive a bill or make a payment.

Eligible Dependents

For the HCSA and DCAP programs, you may claim reimbursements for expenses incurred by your legal spouse (as determined in accordance with state law to the extent consistent with the federal Defense of Marriage Act), any individual who would qualify as a tax dependent of yours under IRS Code Part 152, and any child for whom you are required to provide health coverage pursuant to a Qualified Medical Support Order. Also, children of divorced parents are considered to be a dependent of both parents.

For purposes of the dependent care plan, an “eligible dependent” must be under age 13. However, if a dependent is mentally or physically handicapped, he or she will remain a qualified dependent for the dependent care irrespective of age.

Note: In compliance with the IRS guidelines, the service provider cannot be an individual for whom a personal tax exemption may be claimed.

Eligible Health Care Expenses

Many health care expenses not paid by your medical and dental plan can be reimbursed from your HCSA. Eligible expenses under a health care spending account are defined as those that are medically necessary, prescribed by a licensed practitioner and are not reimbursed under another program. To be considered eligible, these expenses must be considered expenses under Section 213 (d) (1) of the Internal Revenue Code. Please refer to the Health Care Spending Account Eligible Expenses Section (page 15) of this document for a listing of the most common expenses.

IMPORTANT NOTE: Keep in mind that expenses such as insurance premiums may be deductible on Schedule A of your federal taxes but are not eligible for reimbursement through a health care spending account.

Medical care expenses include payments you make for the diagnosis, cure, mitigation, treatment, or prevention of disease, or treatment affecting any part or function of the body. They also include insulin, and medicines and drugs that require a prescription. In addition, many over-the-counter items (i.e., those not requiring a prescription) are considered an eligible expense.

Eligible Dependent Care Expenses

Eligible dependent care expenses are defined as those that enable the participant and the participant's spouse to work or to look for work. Please see page 21 of this document for a listing of the most common expenses. A more detailed explanation can be found in Treasury Publication 503 on the Internet at www.sentinelbenefits.com/flexchoice. The expenses must be necessary in order to permit you and/or your spouse (if married) to be gainfully employed.

If You Don't Use Your Entire Account by Plan Year End

The IRS requires that any unused funds in participant accounts at Plan Year-end be forfeited. Further, you may not transfer unused money from one account to another. Each account must remain separate.

Since the IRS does not allow you to carry amounts from one Plan Year to another, nor for excess contributions to be refunded to you, it is very important that you estimate your contributions carefully.

However, to alleviate forfeiture concerns, the IRS has recently provided a 2½ month "grace period" in which you can spend down unused 2005 contributions in either plans. For instance, if you have \$100 left over in your HCSA at the end of 2005, you may still incur eligible expenses until March 15, 2006 that may be applied to your remaining 2005 HCSA balance of \$100. However, you will not be allowed to use your SmartFlex card for expenses incurred during the IRS 2 ½ month grace period. Paper claim forms must be submitted.

The deadline to submit all receipts you incurred during the 2005 Plan Year, including claims incurred during the 2½ month grace period, is April 15, 2006. The HCSA/DCAP Plan Year-ends on December 31 and you must submit all prior year claims - including claims incurred during the 2½ month grace period - by April 15. After April 15, your account will be closed for the prior Plan Year.

Privacy Of Medical Records

Under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") group health plans such as the health care spending account and the third party service providers are required to take steps to ensure that certain "protected health information" is kept confidential. You may receive a separate notice that outlines the health privacy policies of the plan.

When Does Coverage End?

If you choose not to enroll in HCSA or DCAP during open enrollment or during your first 30 days of employment you won't be able to enroll until the next open enrollment, unless you have a "change in status."

What happens if I take an unpaid leave of absence?

You must re-enroll each Plan Year. The HCSA/DCAP election applies for one Plan Year only. In order to continue participation in the pre-tax plan(s), you must re-enroll in the HCSA/DCAP election at each open enrollment.

If you elect to participate in a HCSA or DCAP and take an unpaid leave of absence or go off payroll for any reason your eligibility will cease. You will be able to submit claims for expenses that you incur on or before your last paycheck deduction. You should speak to your Payroll Coordinator to go over the following options:

- 1) If you return to the payroll during the Plan Year you may re-enroll in the plan you had been enrolled in and your payroll deductions will be recalculated so that your original annual election is deposited by calendar year end. Please see your Payroll Coordinator to re-enroll and submit a HCSA/DCAP Enrollment/Change Form. This form is available on the GIC's website at www.mass.gov/gic. (Please see page 5 "Making Changes to Your Election" to check if you are able to reduce your annual contribution mid-year)
- 2) You may have the deductions for the period of your unpaid leave taken on a pre-tax basis from the last paycheck you receive prior to your leave, provided your paycheck is sufficient. If you elect this option, you may continue to submit expenses for reimbursement for eligible expenses incurred during your leave of absence.
- 3) You may choose not to contribute for the pay periods you will be on an unpaid leave of absence. If you elect this option, you will not be reimbursed for any expenses incurred during your unpaid leave of absence. Once you return from your leave of absence and your participation in the Plan is reinstated and you have made up the contributions for the period you were on leave, you will be able to submit expenses incurred during your leave.

BE ADVISED: This option (3) will apply if you do not submit the "Change in Status" form within 30 days of your leave of absence.
- 4) You may elect to continue to contribute to your HCSA account while on an unpaid leave of absence under COBRA by making direct payments on an after-tax basis. Complete a COBRA application available on the GIC's website at www.mass.gov/gic and contact Sentinel Benefits directly for billing information.

Should you return to active employment before the end of the calendar year, see your GIC Coordinator to re-enroll. Payroll deductions will be recalculated so that the annual election is deposited to your account by calendar year end, unless you had a "change in status."

If you did not continue coverage during your unpaid leave of absence, any expenses incurred while you were off the payroll will not be eligible for reimbursement from future deposits made to the account.

**If You
Terminate
State
Service
During the
Plan Year**

If you leave state service during the Plan Year, your participation in HCSA and DCAP will terminate at the end of the payroll period that includes your last day of work. You will only be able to submit claims for eligible health care expenses that were incurred on or before your last paycheck deduction. In order to use your HCSA account **after** you terminate state service you have two options:

- 1) You may elect to continue to contribute to the HCSA account under COBRA by making direct payments on an after-tax basis. The HCSA COBRA application is available on the GIC's website at www.mass.gov/gic. The amount billed to you would include a 2% administrative fee. You must notify your Payroll Coordinator within 60 days of your termination date in order to take COBRA.
- 2) You may choose to contribute the deductions for the balance of the Plan Year taken from your last paycheck on a pre-tax basis. This option will permit you to save the taxes as if you were still on the Commonwealth payroll; however, you would need to contact your Payroll Coordinator **at least two weeks prior** to your last paycheck date in order to take this option.

Be advised. HCSA: If you choose neither of these options, you will not be reimbursed for any health related expenses incurred after your date of termination. **DCAP:** You may file claims for eligible dependent care expenses against your account balance for expenses you incur through December 31 if you have money left in your account.

If you are denied a benefit under the HCSA or DCAP (e.g. claim for reimbursement denial, eligibility for pre-tax benefits or election change) and you feel this denial was made in error you should proceed in accordance with the following claims review procedures.

**Appeals
Process**

Step 1: *Denial Notice is received from Sentinel.* If your claim is denied, you will receive written notice as soon as reasonably possible but no later than 30 days after receipt of the claim.

Step 2: *Review your Denial Notice carefully.* Once you have received your notice from Sentinel, review it carefully. The notice will contain:

- The reason(s) for the denial and the plan provisions on which the denial is based;
- A description of any additional information necessary for you to perfect your claim, why the information is necessary, and your time limit for submitting the information;
- A description of the plan's appeal procedures and the time limits applicable to such procedures;
- A right to request all documentation relevant to your claim.

Step 3: *If you disagree with the decision, file an appeal.* If you do not agree with the decision of the plan service provider, you may file a written appeal. You should file your appeal no later than 180 days of receipt of the notice described in Step 1. The GIC has set up only one level of review. You should send your appeal to the GIC P.O. Box 8747, Boston, Massachusetts 02114-8747. (Telephone: 617-727-2310, Facsimile: 617-227-2681) Please submit all information identified in the notice of denial as necessary to support your claim and any additional information that you believe would support your claim.

Step 4: *Written notice of approval or denial is received from the GIC.* You will be notified in writing of the decision. The notice will be sent no later than 30 days after receipt of the appeal by the GIC.

SMART FLEX DEBIT CARD

Frequently Asked Questions

What is a SmartFlex Card?

Your SmartFlex card is a prepaid debit card to be used exclusively with your GIC Pre-Tax HCSA or DCAP program (*administered by Sentinel Benefits*). This card is issued by and is the property of UMB Bank pursuant to a license from Visa U.S.A. Inc. The card is programmed with your specific annual health care spending and/or dependent care election so it knows how much money you are permitted to spend. **Your card should only be used for eligible health care or dependent care expenses.**

How does a SmartFlex Card work?

With SmartFlex, using your pre-tax dollars is easier than ever before. As long as the merchant or service provider accepts Visa, there's no need to pay cash upfront, mail in your receipts and then wait for reimbursement. Each time you use your card for eligible expenses, funds are automatically deducted from your GIC pre-tax account.

Where can I use my SmartFlex Card?

You can use your SmartFlex Card to pay for eligible HCSA/DCAP expenses only at qualified locations that accept Visa. Qualified HCSA locations include doctor's offices, dentist's offices, pharmacies, and hospitals. Qualified DCAP locations include childcare centers, day camps and nursery schools. Your card cannot be used at non-qualified locations such as gas stations, restaurants or convenience stores.

Should I select "Debit" or "Credit" at the cashier?

When making a purchase with a keypad or screen, select **"Credit."** *The card **does not** have a PIN and you must select "credit" and sign for the transaction.* When making a purchase without a keypad or screen, give your card to the clerk and sign the receipt. If you're asked whether it's a credit or debit, press "Credit." (If "debit" is selected, your purchase will be declined.)

Can I get cash out of an ATM or at the cashier with this card?

No. You cannot get cash with this card. This card should only be used to purchase **eligible GIC pre-tax program expenses.** See your pre-tax participant handbook for a list of eligible expenses.

What if my provider does not accept Visa?

Use another form of payment and submit the GIC pre-tax HCSA/DCAP **Claim Form** along with your receipt(s) to Sentinel Benefits for reimbursement. Claim forms are available on the GIC website.

Can I purchase eligible items online?

Yes. You can use this card online to purchase eligible items online. Keep your itemized receipt(s) after you make the purchase. You may be required to submit itemized receipts to verify that the transaction was for eligible expenses.

What eligible expenses can the card be used for?

Please refer to your plan description handbook for a detailed list of eligible expenses. A sample list of expenses covered by the SmartFlex card include:

Health Care: Prescription drug copays, doctor office visit copays, health plan deductibles, approved over-the-counter drugs, eyeglasses, dental costs not covered by your dental plan (including orthodontia), hospital visit copays, chiropractic services, vision costs not covered by your vision plan (including LASIK, contacts, eyeglasses) and smoking-cessation programs

Dependent Care: -Child care and nursery school, before and after school care, summer day camp (for dependent children under 13), care for mentally or physically handicapped dependents over age 13.

Can I use my SmartFlex Card for eligible Over-The-Counter (OTC) expenses?

Yes, however, be sure to pay separately for eligible OTC items and save your receipts. You may be required to submit itemized receipts to verify that the transaction was for eligible expenses.

How do I check the funds that are in my account?

To check your SmartFlex account funds and recent activity, contact Sentinel Benefits Client Services toll-free at 1.888.762.6088. This information is also available at www.sentinelbenefits.com/flexchoice.

Do I need to keep my receipts?

Yes. Although you may use your card to pay for eligible expenses, such as ordering mail-order prescription drugs, the Internal Revenue Service still requires you to substantiate any claims paid from your account. You may be asked by Sentinel Benefits to submit receipts on benefits paid using your SmartFlex Card.

What happens if I don't send in receipts to Sentinel Benefits when asked?

If Sentinel Benefits believes that proof of purchase is necessary and you do not comply with their request, your SmartFlex Card privileges may be suspended. You will receive adequate warning should this action be necessary.

What if a claim I paid with my SmartFlex card is later found to be ineligible?

Sentinel Benefits will ask you to pay back the ineligible amount, as well as the transaction fee, by personal check or by going online at www.motivano.com and using a personal credit card to pay the ineligible amount in question. Instructions regarding your payment options will be mailed to your home. If you do not reimburse the plan for ineligible payments, your card may be suspended.

What if I don't have enough money on my SmartFlex card to pay for my purchase?

The transaction will be declined if your available account balance is insufficient to pay for your entire purchase. You will need to pay for your purchase either with cash, a personal check or credit card and then submit a completed claim form with your receipt to Sentinel Benefits for processing. Sentinel will reimburse you for eligible expenses in an amount not to exceed your remaining balance. You may encounter this situation at the end of the Plan Year when your election amount is almost depleted.

What if my card does not work at a qualified location or the card was "declined"?

You may have to pay with another form of payment. The failure could be due to any of the following reasons. Please contact Sentinel Benefits for additional details:

- the purchase cannot be determined as an eligible expense.
- you included non-eligible expenses with your eligible expenses. (Try the transaction again with the eligible expenses only.)
- there is not enough money in your account to completely cover the expense.

Can I use my SmartFlex Prepaid Card if I receive a health care bill with a "Patient Balance Due?"

Yes, as long as you have sufficient funds in your account and your health care provider accepts Visa you may use the SmartFlex card to pay such bills. Just write your SmartFlex card number on the health care bill and return it to your health care provider.

How do I obtain a SmartFlex Debit Card?

During the GIC's pre-tax open enrollment you may obtain a SmartFlex Debit Card by completing a **SmartFlex Debit Card Enrollment Form** and returning it to your Payroll Coordinator. Sentinel Benefits will automatically deduct the annual \$18.00 fee from your DCAP/HCSA election account. If you re-enroll in the plan in the following Plan Year and already have a SmartFlex Debit Card, you still need to complete a SmartFlex Debit Card Enrollment Form. If you would like to obtain a SmartFlex Debit Card during the Plan Year, you may send your enrollment form directly to Sentinel Benefits.

May I obtain an additional SmartFlex Card?

Yes. You may obtain a card for your spouse and/or dependent(s) over age 18 for a one-time fee of \$5. The Spouse/Dependent card fee is good through the expiration date on the card; no additional \$5 fee is necessary each year. The fee is automatically deducted from your account when the card is ordered. Simply complete the SmartFlex Debit Card Enrollment Form and send it into Sentinel Benefits.

Are the fees I pay for my SmartFlex Card paid on a pre-tax basis?

Yes. The fee you pay for a SmartFlex Card and for an additional card for your spouse or dependent over age 18 is qualified under the plan making the SmartFlex Card a pre-tax expense. For example, if you sign up for the HSCA Program, choose to contribute \$1,000 for the year and sign up for the SmartFlex Card, Sentinel will automatically deduct the \$18.00 card fee from your pre-tax contributions – leaving your account with \$982 for eligible HSCA expenses.

How do I activate my SmartFlex Card once I have received it?

The SmartFlex Card is a signature-based card. There is no PIN required. The card will automatically be activated when you sign for your first purchase. When you activate the card by signing for your first purchase, you agree to the following:

- The terms and conditions outlined in the Cardholder Agreement that was sent to you when you received your card.
- *That your funds are authorized only for the payment of eligible DCAP/HSCA expenses as outlined in the Commonwealth's plan document.*
- That these funds have not been and will not be reimbursed under any other plan coverage.
- That you will submit any required documentation to the Plan Administrator as requested.

How do I cancel the SmartFlex Card?

If you no longer want the SmartFlex Card, you may cancel it by contacting Sentinel Benefits Client Services at 1.888.762.6088. You will not receive a refund of the fee for the SmartFlex Card for any period of the Plan Year remaining.

What if I was charged the wrong amount on my SmartFlex Card?

Contact Sentinel Benefits Client Services toll-free at 1.888.762.6088.

What if my card is lost or stolen?

Contact Sentinel Benefits Client Services immediately toll-free at 1.888.762.6088. Visa provides protection for fraudulent use of your card. You will be charged a \$5.00 replacement fee to reissue a new card.

Plan Administrator: Sentinel Benefits

601 Edgewater Drive, Suite 250, P.O. Box 4072
Wakefield, Massachusetts 01880
Telephone: 888-762-6088
Facsimile: 781-213-7301
Email: Flexhelp@sentinelbenefits.com

Online Re-Enrollment Instructions for the GIC's Health Care Spending Account (HCSA) and/or Dependent Care Assistance Program (DCAP)

3 Easy Steps to Re-Enroll!!!

Online Re-Enrollment is only available to current HCSA or DCAP participants who want to re-enroll for 2006. Open Enrollment will take place October 11, 2005 to November 10, 2005.

STEP 1: Log on to www.sentinelbenefits.com/flexchoice



Click on "Sign-In" and enter your User ID (Social Security Number) and Password (last 4 digits of your SSN). If you were a member in 2004, your password is your birth date in the following format: MMDDYYYY.

In order to protect your privacy, you will be prompted to change your password from the original default password, if you haven't already changed it.

Then click "Participant" which will take you to your 2005 pre-tax program election summary.

IMPORTANT NOTE: The Internal Revenue Service requires that any unused funds in a participant's account at plan year-end be forfeited. It is very important that you estimate your pre-tax contributions carefully. However, the IRS recently issued a regulation allowing for a 2½ month grace period (end date March 15, 2006) during which you may incur eligible expenses to be deducted from your 2005 contributions. You can submit claims for expenses that you incur from January to December, as well as claims incurred during the 2½ month grace period up until April 15, 2006. **Expenses incurred and submitted during the grace period will be deducted from your 2005 contributions.**

STEP 2: Make selections for 2006



Click on "Benefit Enrollment" on the list that appears on the left hand side of the page. You will have two (2) benefit enrollment options: Dependent Care Assistance Program and Health Care Spending Account.

If you want to enroll in DCAP:

Click on "Dependent Care," click on "I wish to enroll," enter your Annual Election Amount up to \$5,000 (DO NOT enter a \$ or comma when making your election. Use the following format: "1200.00"). Click on the "calculate" button to automatically calculate your bi-weekly deduction and, after carefully reviewing your DCAP election, click the "submit" button.

SMARTFLEX DEBIT CARD FOR DCAP ELECTION:

- If you want a SmartFlex Debit Card for the first time, for you only, you must check the debit card enrollment box to enroll.
- If you already have a SmartFlex Debit Card and want to re-enroll for 2006 you must check the debit card enrollment box. This will automatically re-enroll you and any other 2005 cardholders (i.e. spouse, dependents).
- If you would like to add a card for a spouse or dependent for the first time or make changes, you will need to fill out the SmartFlex Debit Card Enrollment (paper) form.

If you want to enroll in HCSA:

Click on "Health Care Spending Account," click on "I wish to enroll," enter your Annual Election Amount up to \$2,500 and no less than \$500. (DO NOT enter a \$ or comma when making your election. Use the following format: "1200.00"). Click on the "calculate" button to automatically calculate your bi-weekly deduction and, after carefully reviewing your HCSA election, click the "submit" button.

SMARTFLEX DEBIT CARD FOR HCSA ELECTION:

- If you want a SmartFlex Debit Card for the first time, for you only, you must check the debit card enrollment box to enroll.
- If you already have a SmartFlex Debit Card and want to re-enroll for 2006 you must check the debit card enrollment box. This will automatically re-enroll you and any other 2005 cardholders (i.e. spouse, dependents).
- If you would like to add a card for a spouse or dependent for the first time or make changes, you will need to fill out the SmartFlex Debit Card Enrollment (paper) form.

STEP 3: Complete the Enrollment



To complete your enrollment, you must print the "summary" page for your records. The summary page will list your 2006 HCSA and/or DCAP elections. Please review your pre-tax selections carefully. If you made a selection error you may return to the specific pre-tax program and re-enter your 2006 selections. NOTE: Your debit card selections will not appear on this summary page. After you have printed out your summary page, you may now exit the website by clicking on the "Logout" button on the upper left hand corner of your screen. Sentinel will inform your Payroll Coordinator of your pre-tax program selections and you should see your first 2006 bi-weekly deduction(s) taken in the pay advice of January 13, 2006.

Additional Information Available Online

You will find everything you need to know to participate in the program on the GIC's website, www.mass.gov/gic.

- Details on the SmartFlex Debit card.
- Download enrollment and claim forms.
- A full listing of eligible HCSA and DCAP expenses.

And visit www.sentinelbenefits.com/flexchoice to:

- Research eligible expenses and relevant IRS information.
- Check the status of your account and claims on line.
- Purchase over the counter and vision items on-line at a discount.
- Check out the frequently asked questions.

Health Care Spending Account Eligible Expenses

Professional Services

- Chiroprapist
- Chiropractor
- Christian Science practitioner
- Dermatologist
- Dentist
- Gynecologist
 - Midwife
- Neurologist
- Nursing
- Obstetrician
- Oculist
- Optician
- Optometrist
- Orthopedist
- Osteopath
- Pediatrician
- Physician
 - Physical Therapist
- Physiotherapist
- Podiatrist
- Psychiatrist
- Psychoanalyst
- Psychologist
- Registered Nurse
- Surgeon (except for cosmetic surgery)

Hospital Services

- Anesthetist
 - Body Scan
- Oxygen mask, tent
- Use of operating room
- X-ray technician

Medical Treatments

- Acupuncture
- Blood transfusion
- Diathermy
- Electric shock treatments
 - Flu Shot
- Hearing services
 - Immunizations/Vaccine(s)
 - Infertility Treatments
- Injections
- Insulin treatments
- Laser eye surgery
- Nursing
- Organ transplant
- Pre and post-natal care
- Psychotherapy
- Radium therapy
- Sterilization
- Ultra-violet ray treatments
- Vasectomy
- X-ray treatments

Laboratory Exams

- Blood tests
- Cardiographs
- Metabolism tests
- Spinal fluid tests
- Sputum tests
- Stool examination
- Urine analysis
- X-ray examinations

Dental Services

- Cleaning teeth
- Crowns / Root canals
- Dental x-rays
 - Dentures
 - Extraction(s)
- Filling teeth
- Gum treatment
- Oral surgery
- Orthodontia (unless only for cosmetic purposes)

Health Care Spending Account Eligible Expenses (Cont'd)

Equipment and Supplies

- Abdominal supports
- Ambulance hire
- Arches
- Artificial teeth, eyes
- Auto device for handicapped person, but not for travel to work
- Back supports
- Blood pressure monitor
 - Blood sugar test kit/strips
- Braces
 - Carpal tunnel wrist support
- Contact lenses, supplies
- Cost of installing stair-seat elevator for person with heart condition
- Crutches
- Elastic hosiery
- Eyeglasses
- Fluoridation unit in home
 - Glucose monitoring
- Hearing aids and batteries
- Heating devices
- Home vaporizer
 - Iron lung
- Medic alert bracelet/necklace
 - Occlusal guard to prevent teeth grinding
- Orthopedic shoes
- Ovulation monitor
 - Pregnancy test kit
- Prescriptions
- Repair of telephone equipment for the deaf
- Sacroiliac belt
- Splints
- Truss
 - Wheelchair

Miscellaneous Health Related Expenses

- Abortion
- Administrative costs – monthly pre-tax program fees
- Alcoholism inpatient care
- Birthing classes
- Braille books (excess cost of Braille books over cost of regular editions)
- Breast reconstructive surgery following mastectomy
- Circumcision
- Convalescent home if for medical treatment
- Contraceptives – birth control pills, condoms, spermicidal foam
- Drug treatment center - inpatient care fees paid to health institute of services prescribed by a physician to alleviate a physical or mental defect or illness
- Guide for blind person
- Kidney donor's or possible kidney donor's expenses
- Legal fees for guardianship of mentally ill spouse where commitment was necessary for medical treatment
- Nurse's board and wages, including Social Security
- Remedial reading for dyslexic child
- Sanitarium and similar institutions
- School cost for physically and mentally handicapped children
- Seeing eye dog and its maintenance
- Shipping/handling fees incurred to obtain drugs or medicine for medical care
- Taxes on medical services and products
- Telephone-teletype costs and television adaptor for closed caption service for deaf person
- Transportation expense for person to receive medical care

Health Care Spending Account Ineligible Expenses

- Antiseptic diaper service
- Athletic club expenses
- Babysitting fees enabling you to make doctor's visits
- Boarding school fees paid for a healthy child while parent is recuperating from illness
- Bottled water bought to avoid drinking fluoridated city water
- Child rearing service
- Cosmetic surgery not medically necessary
- Cosmetic dentistry not medically necessary
- Cost of hotel room suggested for sex therapy
- Cost of trips for a change of environment to boost morale of ailing person
- Deductions from your wages for sickness insurance under state law
- Domestic help
- Doula
- Ear piercing
- Funeral, cremation or burial, cemetery plot or monument
- Health programs offered by resort hotels, health clubs and gyms
- Marriage counseling fees
- Maternity clothes
- Medical bills for divorced spouse
- Patent medicine
- Premiums in connection with life insurance policies, paid for disability, double indemnity, or for waiver or premiums in the event of total and permanent disability
- Premiums in connection with policies for reimbursement of loss of earnings or a guarantee of a specific amount in the event of hospitalization
- Premiums for medical or dental insurance, including COBRA premium payments
- Prescriptions purchased outside the USA
- Scientology fees
- Special food or beverage substitutes
- Stem cell harvesting
- Tuition and travel expenses to send problem child to a particular school for change of environment
- Veterinary fees for pet
- Vitamins and dietary supplements that can be purchased over-the-counter without a prescription

Health Care Spending Account Eligible Expenses - Dual Purpose List

*These expenses require a note from a health care provider listing the diagnosis of the medical condition and duration of treatment. **

- Anti-baldness/hair loss/ hair replacement/ such as Rogaine, but only if to replace hair loss due to a medical condition (e.g. cancer treatment) and not for balding due to age.
- Fiber supplements such as Benefiber and Metamucil
- Glucosamine/Chondroitin for arthritis or other medical condition (not reimbursable if taken for overall joint health)
- Herbal supplements used to treat a specific disease such as St. John's Wort for depression
- Hormone Therapy Drugs
- Medicated shampoos to treat a specific medical condition like psoriasis and only the amount in excess of the cost of normal shampoo.
- No Doz (and other sleep prevention drugs)
- Nose strips for proper breathing or other medical conditions
- Pedialyte for a child's dehydration
- Retin-A and other acne medicines (not reimbursable if used for cosmetic purposes such as wrinkle reduction)
- Sleep-Aids
- Snoring cessation aids and medications such as Breathe Right Spray, Snorezz
- Sunscreen and Sunblock
- Vitamins are not an eligible expense, unless prescribed by a physician to treat a specific medical condition (i.e. Iron to treat, not prevent, anemia; Calcium Supplements to treat, not prevent, Osteoporosis). A doctor's note detailing the specific medical condition will be required for reimbursement.
- Weight loss/dietary supplements must be for a specific medical condition such as obesity.
- Acne treatments
- Massage therapy
- Nutritionist
- Prenatal vitamins

MEDICAL EQUIPMENT

- Air conditioner, if medically necessary for relief from allergy or difficulty breathing
- Reclining chair if prescribed by physician
- Wigs, if advised by physician because of hair loss from disease
- Clarinet lessons, if advised by dentist for treatment of tooth defects

This list is not a complete list, but is intended to provide a HCSA participant with examples to help determine what Over-The-Counter medications may be eligible for reimbursement with a note from a health care provider listing the diagnosis of the medical condition and duration of treatment. This list may change from time to time.

*This additional practitioner documentation must:

- a. Be on the licensed medical practitioner's letterhead or prescription form;
- b. Be dated within the current Plan Year;
- c. Include a diagnosis stating the specific medical condition being treated;
- d. Indicate that the product being purchased will directly impact this medical condition;
- e. Include the licensed medical practitioner's signature;
- f. Specify that the product will not be used for general health, cosmetic or personal reasons; and
- g. Be included each time a claim for that product is submitted (along with a completed reimbursement claim form and itemized receipt).

Type of Over-The-Counter Drug Examples (Common brands, not a comprehensive list)

OTC Drugs Used Primarily for Medical Care. These are reimbursable with only a receipt. No recommendation from a health care provider is required.

<u>TYPE OF DRUG</u>	<u>EXAMPLES</u>
Allergy Prevention & Treatment	Benadryl, Sudafed, Actifed, Claritin, Chlor-Trimeton
Antacids and Acid Reducers	Gas-X, Maalox, Mylanta, Tums, Rolaids, Pepsid AC, Prilosec OTC, Tagamet HB, Zantac 75
Antihistamines	Actidil, Actifed, Allerest, Benadryl, Claritin, Chlor-Trimeton, Contac, Dimetabe, Drixoral
Antidiarrhea and Laxatives	Ex-Lax, Pepto-Bismol, Imodium A.D., Kaopectate
Anti-fungal	Lamisil AT, Lotramin AF, Micatin
Anti-itch Lotions and Creams (e.g. for athletes foot, bug bites, poison ivy, sunburn)	Bactine, Cortaid, Hydrocortisone, Calamine Lotion, Benadryl Cream, Lanacort, Lamisil AT, Micatin, Moisturel
Asthma	Primatene Mist
Cold Sore/Fever Blister	Abreva Cream, Blistex, Carmex
Condoms and other contraceptive devices	Trojans, VGF Film, Delfen Contraceptive Foam
Contact Lens Solution	Bausch & Lomb, Boston, Opti-free, Allergan, Renu
Cough Suppressants	Robitussin, Vicks 44, Chloraseptic
Decongestant/Nasal Decongestant/ Cold remedies	Advil Cold and Sinus, Afrin, Aleve Cold, Children's Advil and Flu, Allerest, Alka Seltzer Cold, Duration, Dristan, Neo-Synephrine, Nyquil, Tylenol Cold
Diaper Rash Ointment	Desitin, Balmax
Eye Drops for Allergy/Cold relief	Ocu-Hist, Clear Eyes, Visine
First Aid Supplies	Ace Bandages, Band-aids, Bandage Tape, Thermometers, Medical Gloves, Rubbing Alcohol
Internal Analgesic/Anti-inflammatory	Advil, Aleve, Motrin, Bayer, Excedrin, Tylenol, Nuprin
Incontinence Supplies Depends	Liniments BenGay, Tiger Balm, Flexall, Absorbine Junior
Medical Monitoring	Services and bracelets for medical information
Medical Products and Devices	Blood Pressure Monitor, Glucose Tester, HIV Test, Cholesterol Test, Diabetic Supplies, Crutches, Ovulation Kits, Pregnancy Test Kits

Type of Over-The-Counter Drug Examples (Cont'd)

<u>TYPE OF DRUG</u>	<u>EXAMPLES</u>
Menstrual Cycle Medications	Midol, Pamprin, Premysyn PM
Migraine	Advil Migraine, Excedrin Migraine, Motrin Migraine
Motion Sickness Medicine	Dramamine, Marizine
Pediculicide (Head Lice)	Nix
Poison Ivy Protection	Ivy Block
Smoking Cessation Aids	Nicotine Gum, Nicorette, Nicoderm CQ, Nicotrol
Toothache and teething pain relievers	Orajel
Wart Removal Medication	Tinamed, Compound W

Over-The-Counter Item Not Reimbursable

(These OTC Drugs or other products are not considered medical care and are not reimbursable through the plan.)

- Chapstick
- Cosmetics
- Cotton Balls
- Deodorants
- Face creams, moisturizers, eye creams, and wrinkle reducers
- Feminine Hygiene Products such as tampons and maxi pads
- Food Items (i.e. Slim Fast)
- Hair removal treatments and waxes
- Mouth washes, antiseptics and oral anesthetics
- Shaving Cream and Razors
- Soap
- Teeth Whitening kits, and powders
- Toothpaste
- Vitamins taken to improve overall-health

Dependent Care Assistance Program Eligible Expenses

Eligible expenses under a Dependent Care Assistance Program are defined as those that enable the participant and the participant's spouse to work or to look for work. They include the following:

1. Child care centers that care for six or more children and that meet the IRS's definition of a qualified day care center;
2. Caregivers for a disabled spouse or dependent who lives with the participant;
3. Babysitters;
4. Nursery schools;
5. After-school care or extended day programs/supervised activities for children after the regular school program (these programs are generally custodial in nature, not educational);
6. Household expenses provided that a portion of such expenses is incurred to ensure a qualifying dependent's well-being and protection; and
7. Day Camps.

Note: One stipulation imposed by the IRS is that the service provider cannot be an individual for whom a personal tax exemption may be claimed. Lastly, if the service provider is a child of the participant or spouse, s/he cannot be under the age of 19.

Dependent Care Assistance Program Ineligible Expenses

Expenditures that may not be reimbursed from Dependent Care Assistance Program include the following:

1. Babysitting for social events;
2. Educational expenses;
3. Expenses that the participant will take as a child care tax credit on his or her income tax return;
4. Kindergarten (such expenses are primarily educational in nature, regardless of half- or full-day, private or public school, state mandated or voluntary).